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# **Impact of Privatization Process in Unemployment Reduction and FDI Attraction in Kosovo**



## Abstract

With the end of the armed conflict at the end of the last century, the need for economic development was emerging in the country. Although the political issues were significantly important, economic issues were pressing for urgent solution. The main source of income for the country on the period 1999-2002 have been the activities of large number of international organizations that provided different humanitarian and social benefits to the population. It was clear that there was a need to break this vicious circle of dependence on donors' assistance and creating enabling environment for private business to prosper. It was also understandable visible that the economy, driven only by exports of metals, cannot generate enough revenue for the government, nor can its labor market absorb youngsters every year . On the other side the balance of payments of the country shows that exports cover only 10 percent of imports thus putting pressure on the public finances while the macroeconomic problems are naturally followed by the level of unemployment which was progressively going up throughout the last decade. At the present 45% of announced workforce is searching for a job every year, while the most pressing issue is that 90% of those people are long term unemployed. Having all those problems ahead, the privatization of socially owned enterprises has been perceived as the only available tool to attract Foreign Investments and increase employment in the country. Being at the spotlight of the public interest, the process of privatization of Socially Owned Enterprises (SOEs) has been followed by an enormous criticism from the experts and opposition political parties in both directions; the way it has been conducted to establishment and the way it has been managed afterwards. The political parties in power and the International Community on the other side constantly strived to present the whole process as a success story. However, this quantitative study found that the privatization process of the Socially Owned Enterprises through regular spin off have actually decreased significantly the number of employees having made a direct and immediate negative impact in the employment figures. The study also found that the process of privatization had no significant impact in attractiveness of the foreign investors, thus leaving hopes of population unfulfilled at least, for the time the study is conducted.